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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5410-N-03]

Federal Housing Administration (FHA) First Look Sales Method under the Neighborhood Stabilization Program (NSP): Increased Discount on Sales Price for Certain Properties and Clarification of Effective Dates

AGENCY: Office of the Assistant Secretary for Housing--Federal Housing Commissioner, HUD.

ACTION: Notice.

SUMMARY: On July 15, 2010, HUD published a Federal Register notice establishing the process by which eligible purchasers under the Neighborhood Stabilization Program (NSP) are provided a preference to acquire real-estate owned (REO) properties of FHA under the temporary Federal Housing Administration (FHA) First Look Sales Method. Under the First Look Sales Method, eligible NSP purchasers have the opportunity to purchase REO properties at a discount of 10 percent below their appraised value, less the cost of any applicable listing and sales commission. This notice announces an increase in the discount to 15 percent for properties that do not meet the applicable minimum property standards to be eligible for FHA mortgage insurance. Additionally, HUD has taken the opportunity afforded by this notice to clarify that the First Look Sales Method will be in effect until the conclusion of the NSP.

DATES: The FHA First Look Sales Method shall be in effect until the conclusion of the NSP.

FOR FURTHER INFORMATION CONTACT: Ivery Himes, Director, Office of Single Family Asset Management, Office of Housing, Department of Housing and Urban Development, 451 7th Street, SW, Room 9172, Washington, DC, 20410; telephone number 202-708-1672 (this is not a toll-free number). Persons with hearing or speech impairments may access this number via TTY by calling the toll-free Federal Information Relay Service at 800- 877-8339.

SUPPLEMENTARY INFORMATION:

I. Background

On July 15, 2010, at 75 FR 41225, HUD published a Federal Register notice establishing the process by which certain governmental entities, nonprofit organizations, and subrecipients participating in the NSP (eligible NSP purchasers) are provided a preference to acquire REO properties under the temporary FHA First Look Sales Method. This temporary REO sales method furthers the goals of both NSP, to aid in the redevelopment of abandoned and foreclosed homes, and of HUD's REO sales program, to expand homeownership opportunities and strengthen communities. Through the FHA First Look Sales Method, HUD provides eligible NSP purchasers with a preference (a "first look") to acquire FHA REO properties that are available for purchase within NSP areas. Eligible NSP purchasers may acquire such REO properties with the assistance of NSP funds for any eligible uses under the NSP, including rental or homeownership. Interested persons should refer to the July 15, 2010, notice for additional details regarding the FHA First Look Sales Method.

II. This Notice – Increased Discount on Sales Price for Certain REO Properties Purchased Under the FHA First Look Sales Method

REO properties purchased through the FHA First Look Sales Method are sold at a discount of 10 percent below the appraised value, less any applicable costs, including commissions. The minimum discounted purchase price of a property is one percent off of the appraised property value; in no case may the discounted purchase price exceed 99 percent of the appraised property value. (See, Section II.F. of the July 15, 2010, notice, at 75 FR 41227). The ten percent discount has proved insufficient for REO properties that do not meet the minimum property standards to be eligible for FHA mortgage insurance because the property is

in need of extensive repairs.¹ The necessary rehabilitation or flood insurance expenses, coupled with the lack of FHA financing, have the potential to make the costs of acquiring these properties prohibitive to otherwise eligible home purchasers. This lack of affordability impedes the goal of the FHA First Look Sales Method to aid in the revitalization of communities through expanded homeownership. To address this concern, HUD announces an increase in the discount to 15 percent for properties that do not meet the applicable FHA minimum property standards. As is currently true, the 15 percent discount shall be subject to any applicable costs, including commissions, but in no case will the total discounted amount be less than one percent off of the appraised property value. The discount for REO properties eligible for FHA mortgage insurance remains at 10 percent of the appraised value of the home.

In addition to the increase in the sales price discount, this notice clarifies that the First Look Sales Method will be in effect until the conclusion of the NSP. HUD's July 15, 2010, notice announced that the First Look Sales Method would be in effect until May 31, 2013. This date was based on the expected conclusion of the NSP, and was not intended to provide for conclusion of the First Look Sales Method prior to the close of the NSP.

III. Findings and Certifications

Paperwork Reduction Act

The information collection requirements for the FHA First Look Sales Method have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB Control Number 2502-0589. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not

¹ The FHA minimum property standards for existing dwellings are found in HUD Handbook 4905.1 REV 1, available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg/4905.1.

required to respond to, a collection of information unless the collection displays a currently valid OMB Control Number.

Environmental Impact

A Finding of No Significant Impact (FONSI) with respect to the environment for the FHA First Look Sales Method was made at the time of the July 15, 2010, Federal Register notice in accordance with HUD regulations at 24 CFR part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)). The FONSI is available for public inspection between 8 a.m. and 5 p.m. weekdays in the Regulation Division, Office of General Counsel, Department of Housing and Urban Development, 451 Seventh Street SW, Room 10276, Washington, DC 20410-0500. Due to security measures at the HUD Headquarters building, and advance appointment to review the FONSI must be scheduled by calling the Regulations Division at 202-708-3055 (this is not a toll-free number).

Date: January 4, 2013

Carol J. Galante,
Assistant Secretary for
Housing- Federal Housing Commissioner

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